

Federal Accounting Standards Advisory Board

# The New Balance Sheet

## Changes for FY 2006 and Future Trends

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## Federal Accounting Standards Advisory Board

- Views expressed are those of the speaker. The Board expresses its views via official issuances after extensive due process and deliberations.
- The following are summary presentations of FASAB standards and exposure drafts. Interested parties should refer to the complete standards and exposure drafts for detailed provisions, exclusions, basis for conclusions, and other information.

# The New Balance Sheet

## Changes for FY 2006 and Future Trends

### Changes for FY 2006:

- Earmarked Funds reporting (SFFAS 27)
- SFFAS 29: Heritage Assets and Stewardship Land

### Future Trends:

- Request for Comments: FASAB Agenda
- Fiduciary Activities Exposure Draft

# Earmarked Funds

- Effective FY 2006
- Early implementation prohibited
- Impacts Balance Sheet and Statement of Changes in Net Position
- Required note disclosures
- No impact on Statement of Net Cost

# Earmarked Funds: Definition

Three required criteria:

1. A statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

# Earmarked Funds: Balance Sheet Reporting

- The portion of cumulative results of operations (and unexpended appropriations, if any) attributable to earmarked funds should be shown separately on the face of the Balance Sheet.
- Display format is not prescribed: sub-lines, “stacked” approach or columns may be used.

# Earmarked Funds: Statement of Changes in Net Position

- Earmarked non-exchange revenue and other financing sources, including appropriations, and net cost of operations should be shown separately on the Statement of Changes in Net Position. The portion of cumulative results of operations attributable to earmarked funds should also be shown separately.
- Display format is not prescribed: sub-lines, “stacked” approach or columns may be used.

# Earmarked Funds: Note Disclosure

- A component entity should disclose all earmarked funds for which it has program management responsibility by either a list, by official title, or a statement indicating where the information can be obtained.
- An earmarked fund should not be characterized as a “trust” in general purpose external financial reports of Federal entities. (The use of the term “trust fund” is acceptable only in the fund’s official title.)



# Earmarked Funds: Note Disclosure

The following information should be disclosed for individual earmarked funds:

1. Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable, other liabilities, cumulative results of operations and net position.
2. Condensed information on gross cost, exchange revenue, net cost, nonexchange revenues and other financing sources, and change in net position.

# Earmarked Funds: Note Disclosure

- The information required for earmarked funds may be presented separately on the face of the entity's basic financial statements or disclosed in the accompanying notes.
- Information for funds not presented individually may be aggregated, but must be provided even if the aggregate total is immaterial.
- The total cumulative results of operations shown in the note disclosure should agree with the cumulative results of operations for earmarked funds shown on the face of the component entity's basic financial statements.

# Earmarked Funds: Note Disclosure

Required narrative disclose for each individually reported earmarked fund, or portion thereof, for which a component entity has program management responsibility:

1. A description of each fund's purpose, how the entity accounts for and reports the fund, and its authority to use those revenues and other financing sources.
2. The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the Government or the result of intragovernmental flows.
3. Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance.

# Earmarked Funds: Note on Investments

Investments in Treasury securities for earmarked funds should be accompanied by a note that explains the following issues:

- The U.S. Treasury does not set aside assets to pay future expenditures associated with earmarked funds. Instead, the cash generated from earmarked funds is used by the U.S. Treasury for general Government purposes.
- Treasury securities are issued to the earmarked fund as evidence of earmarked receipts and provide the fund with the authority to draw upon the U.S. Treasury for future authorized expenditures (although for some funds, this is subject to future appropriation).
- Treasury securities held by an earmarked fund are an asset of the fund and a liability of the U.S. Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements.
- When the earmarked fund redeems its Treasury securities to make expenditures, the U.S. Treasury will finance those expenditures in the same manner that it finances all other expenditures.

# SFFAS 29: Heritage Assets and Stewardship Land

- Issued July 7, 2005
- Effective FY 2006, with certain reporting requirements reclassified as basic information (note disclosure) through FY 2009
- Includes disclosure requirements for the U.S. Government-wide Financial Report
- Incorporates all standards addressing heritage assets and stewardship land into a single SFFAS

# SFFAS 29: Heritage Assets and Stewardship Land

## Effective FY 2006:

- New line item on Balance Sheet, with no amount, referring to the note disclosure
- New required note disclosures:
  - Explanation of how heritage assets and stewardship land relate to the entity's mission
  - Entity's stewardship policies (goals and principles consistent with statutory requirements)

# SFFAS 29: Heritage Assets and Stewardship Land

Effective FY 2006, continued:

- Condition information will be reported as Required Supplementary Information (RSI) and will remain RSI.
- Information that will be phased in as basic information (note disclosure) in FY 2008 and 2009 is still required in years prior to FY 2008 and 2009, but should be reported as Required Supplementary Information (RSI).

# SFFAS 29: Heritage Assets and Stewardship Land

## Implementation guidance:

- Prior to FY 2008, FASAB's Accounting and Auditing Policy Committee (AAPC) plans to issue guidance regarding major categories and physical units.
- The guidance will be illustrative rather than mandatory.



# SFFAS 29: Heritage Assets and Stewardship Land

Effective FY 2008:

The following will become basic information (note disclosure):

- Description of major categories
- Number of physical units at year-end

# SFFAS 29: Heritage Assets and Stewardship Land

Effective FY 2009:

The following will become basic information (note disclosure):

- Physical units received and disposed of during the reporting period
- Method of acquisition (i.e., transfer, donation)

# FASAB Future Trends

- Request for Comments: FASAB Technical Agenda
- Fiduciary Activities Exposure Draft

# Request for Comments: FASAB Technical Agenda

- Issued July 22, 2005
- Comments due September 9, 2005
- Respondents may:
  - Rate priority of proposed FASAB projects
  - Recommend new projects not listed

# Fiduciary Activities Exposure Draft

- Issued June 27, 2005
- Written comments due August 30, 2005
- Public Hearing: August 17, 2005

# Fiduciary Activity: Exposure Draft Issues

- Definition of fiduciary activities
- Exclusions
- Reporting requirements
  - Federal component entities
  - Government-wide Financial Report
- Alternative views (2)
- Opportunities to comment

# Definition

In a fiduciary activity,

- A Federal entity collects or receives, and subsequently manages, protects, accounts for, invests, and/or disposes of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.
- The ownership interest is under provision of law, regulation, or other fiduciary arrangement, and enforceable against the Federal Government. Judicial remedies must be available for the breach of fiduciary obligation.

# Exclusions

- Amounts related to unpaid payroll withholdings and garnishments.
  - Reason: Liabilities for unpaid payroll withholdings and garnishments should be recognized as accounts payable in accordance with existing standards.
- Unearned revenue
  - Reason: Assets collected or received by a Federal entity that represents prepayments or advance payments for which the Federal component entity is expected to provide goods or services should not be classified as fiduciary activity.



# Reporting requirements: Federal component entities

Two note disclosures required:

- “Note 1” would state that fiduciary assets are not assets of the Federal Government and are not recognized on the balance sheet, and refers the reader to the fiduciary note disclosure.
- Fiduciary note disclosure would include:
  - Narrative describing the fiduciary relationship and activity
  - Schedule of Fiduciary Activity
  - Schedule of Fiduciary Net Assets

# Reporting requirements: Government-wide reporting

## Two note disclosures required:

- “Note 1” would state that fiduciary assets are not assets of the Federal Government and are not recognized on the balance sheet, and would refer the reader to the fiduciary note disclosure.
- Fiduciary note disclosure would include
  - Definition of “fiduciary activity”
  - Description of the nature of the Federal Government’s fiduciary activities
  - List of Federal component entities, and for each period presented, the total dollar amount of fiduciary net assets for each Federal component entity, with immaterial entities aggregated
  - Refer the reader to the individual Federal entity financial statements for more information

# Alternative View: Separate Principal Financial Statement

- One Board member does not concur with the presentation of fiduciary activities and net assets in a note disclosure that does not relate to any of the amounts in the principal financial statements.
- Reason: This would provide insufficient accountability for fiduciary activities.
- Recommendation: a separate principal financial statement similar in format to the proposed note.

# Alternative View:

## Government-wide reporting

- One Board member does not concur with the limited amount of disclosure in the Government-wide Financial Report (FR).
- Reason: The proposal in the Exposure Draft would result in less information than is currently reported.
- Recommendation: That the reporting requirements for the FR should be consistent with the requirements for Federal component entities

# Opportunities to comment on Fiduciary Activities ED:

- Public Hearing scheduled for August 17, 2005 (at FASAB Board Meeting)
  - Deadline for roster of speakers was August 3, 2005
  - To attend the public hearing as an observer, call (202)512-7350 by noon August 16, 2005 (to notify building security)
- Written comments will be accepted through August 30, 2005.

# Contact Information

Fiduciary Activities Exposure Draft and  
Invitation for Views are available at:

[www.fasab.gov/exposure.htm](http://www.fasab.gov/exposure.htm)

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